



TERRY MOULTON



WISCONSIN STATE SENATOR

23RD SENATE DISTRICT

From: Senator Terry Moulton

To: Senate Committee on Government Operations, Technology and Consumer Protection

Re: Testimony on Assembly Bill 675 and Senate Bill 554
Relating to: projects included in the Authorized State Building Program, project approvals by the Building Commission, and selection of project architects and engineers.

Date: January 24, 2018

Mr. Chairman and committee members, thank you for allowing me to testify today in favor of Assembly Bill 675 and Senate Bill 554, which modernize the procedures the Building Commission and the Department of Facilities Development and Management use to maintain state properties.

As a member of the Building Commission since 2013, I have had a chance to observe first-hand the work that the employees of the Department of Facilities Development and Management do to develop and maintain our state facilities. Our work on the Building Commission is made a lot easier due to the hard work that the Department of Administration does to ensure that projects are ready before bringing them to us. Assembly Bill 675 and Senate Bill 554 will help streamline the process of developing and maintaining our facilities by modernizing the financial thresholds involved in the steps that the employees of the Department of Facilities Development and Management are required to take when preparing a project for approval.

Currently, routine maintenance projects under \$185,000 do not require specific approval by the Building Commission. Funding for those projects is approved as a block grant to be managed by the employees of the Department of Administration as they arise. The reality is that in 2017, relatively minor construction projects can cost well over \$185,000. These bills would increase the threshold to \$300,000 for these small projects. The Building Commission would still maintain approval authority over the release of the money, but the Department would manage the specific small projects.

Currently, single prime contracting, which requires a general contract manager to oversee the construction project, is required for all projects exceeding \$185,000. The bills would also raise this threshold from \$185,000 to \$300,000, saving taxpayers money on relatively small projects that do not require general project management. It would also exempt single trade projects that are over \$300,000 from the single prime contracting requirements. Projects that involve only one trade do not require general project management and eliminating a requirement that provides very little value will save taxpayers in the long run.

Other changes, like adjusting the threshold for Building Commission approval for projects that were not enumerated in the state building program from \$760,000 to \$1,000,000, take into account the reality that these days, a million dollar building is a relatively small project and should be treated as such. Additionally, requiring the Department of Administration to form a committee to oversee the selection of architects and engineers for projects ensures that the selection process is fair and impartial with an eye on quality construction and responsible management of taxpayer dollars.

These thresholds have not been changed since the 2011-13 budget but the realities of construction finance certainly have. Please recommend passage of Assembly Bill 675 and Senate Bill 554 and allow the State Building Program to continue to effectively and efficiently manage state properties for the people of Wisconsin.

Serving the 23rd Senate District



STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor
Scott A. Neitzel, Secretary

Department of Administration Testimony on Senate Bill 554
Senate Committee on Government Operations, Technology and Consumer Protection
January 24, 2018

Chairman Stroebel and committee members – thank you for the opportunity to testify today in favor of SB 554. My name is John Klenke and I serve as the Division Administrator for the Department of Administration’s Division of Facilities Development and Management. The Division oversees the State Building Program and most construction projects for the state. In addition, I serve as Secretary for the State Building Commission which provides oversight for the building program.

SB 554 makes a number of increases to thresholds related to the State Building Program. These changes were included in the Department of Administration’s Agency Budget Request, but were later removed from the budget as nonfiscal policy. The Department, which oversees the State Building Program, supports these changes as they will ease administrative burdens on the agency and help make construction projects be completed more quickly.

The current thresholds have not been updated in years, creating a system where routine and (relatively) low cost repair and maintenance projects are delayed in order to obtain these approvals. Due to the increased material costs in the industry and code requirements, even the simplest repairs to existing facilities often exceed the current outdated thresholds. The methodology used to increase the thresholds in this proposal was based on inflation rates in the Engineering News Record, which is the industry standard. Increasing the thresholds to the amounts included in the bill will allow these projects or changes to move forward more quickly, while still maintaining all the necessary competitive bidding requirements.

The specific thresholds that will be updated under this bill include:

- Alignment of Building Commission simplified bidding procedures and single prime bidding and contracting
- Governor’s signature approval for contract and change orders for architectural, engineering or construction work
- State Building Commission authorization, building trust fund use, and enumeration of construction projects in the biennial building program
- The request-for-proposal and interview process used by the selection committee for architects and engineers

The bill makes one additional change to the single prime bidding process for state building projects. Under this proposal, if 85% or more of the construction, based on cost, of a single project could be completed by a single trade (mechanical, electrical, plumbing, or fire protection) contractor, the Department may let that construction project to a single trade contractor. The single prime bidding process of selecting subcontractors is waived while still maintaining all the necessary open and transparent bidding requirements for the prime contractor.

The changes included in this legislation will make the state building process more efficient and effective. The changes are largely supported by the industries DOA works with in the program.

Threshold Increases Summary

Item	Previous Threshold Amount	Last Year Threshold Increased	Current Threshold	Proposed Threshold
State Building Commission Approval	\$150,000	2011	\$185,000	\$300,000
Enumeration / Building Trust Funds	\$500,000	2011	\$760,000	\$1M
Governor Contract/Change Order Approval	\$60,000	2005	\$150,000	\$300,000
Architect/Engineer RFP Selection	\$2.5M	2006 (ADM)	\$5M	\$7.4M
Single Prime	\$185,000	Est. 2014	\$185,000	\$300,000
Single Trade		New		New provision for 85% construction is Mechanical, Electrical, Fire Protection, Plumbing (MEP) single trade



DATE: JANUARY 24, 2018
TO: SENATE COMMITTEE ON GOVERNMENT OPERATIONS,
TECHNOLOGY & CONSUMER PROTECTION
FROM: WILLIAM BABCOCK, EXECUTIVE DIRECTOR *WMB*
RE: PUBLIC HEARING – SENATE BILL 554 & ASSEMBLY BILL 675

Thank you for the opportunity to comment on proposed legislation that would adjust dollar thresholds for the state building program and establish statutory provisions for the selection of architects and engineers for state building projects.

AIA Wisconsin, the state society of the American Institute of Architects, supports the companion proposals – Senate Bill 554 and Assembly Bill 675.

The proposed legislation would update various dollar thresholds to reflect modern construction costs for state buildings. This would help streamline the review and approval process. The positive outcome would be the potential to shorten the timeline for state building projects.

The proposal would establish in statute the process for selecting architects and engineers for state building projects. The legislation contains provisions for a selection committee and use of a request-for-proposal process when the estimated cost of a construction project is \$7.4 million or more.

The proposed increase from the current \$5 million threshold makes sense because of the increase in construction costs. A \$7.4 million building project today is comparable in scope and complexity to a \$5 million project in 2006.

Most projects below the proposed threshold are remodeling projects and not new building construction. It is important to protect our investment in state facilities located in communities and on campuses across Wisconsin. While designed and constructed to withstand hard use and the test of time, many state facilities are showing their age and require significant repairs and renovation to function and operate efficiently. The proposed legislation would reduce the time required for architectural and engineering selection and help the state address a backlog of maintenance and repair projects.

The current competitive process for selecting architects and engineers is outlined in ADM 20 of the Wisconsin Administrative Code. Architects and engineers invest a significant amount of time and resources in responding to a request for proposal and preparing for an interview for larger state building projects. A project needs to be of sufficient size to justify such an investment.

A higher threshold would provide several potential benefits, including: a simpler selection process for more projects for the state as well as for architects and engineers; greater interest from architects and engineers due to reduced complexity and cost in pursuing these projects; and time savings in the procurement and selection of architectural and engineering services, helping to expedite the design and construction of state facilities.

Founded in 1911, AIA Wisconsin represents over 1,400 individual members, including architects in private practice, business, industry, government and education. AIA Wisconsin supports a selection process for architects based on qualifications.

Thank you for your consideration of our comments in support for Senate Bill 554 and Assembly Bill 675.

**The American
Institute of Architects**

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